

Analysis of Disclosure in “Basic Policy Regarding Selection of Accounting Standards”

Tokyo Stock Exchange, Inc.

I. Background

◆ Jun. 24, 2014 Japan Revitalization Strategy (Revised in 2014)

4) Promoting of an increase in the number of companies voluntarily adopting IFRS

Tokyo Stock Exchange will encourage listed companies to **explain to investors** their **basic views on the selection of accounting standards** (for example, whether they are considering adopting IFRS).

◆ Nov. 11, 2014 Revision of Guidelines for Financial Results

✓ Request description on “**Basic Policy Regarding Selection of Accounting Standards**” in Financial Results

✓ <**Guidelines for Financial Results**>

- *Please describe basic policy regarding selection of accounting standards.*
- *For example, whether you are considering the adoption of IFRS.*
(stage of consideration, scheduled adoption date)

✓ **Adoption from Financial Results for FY-ended Mar. 31, 2015** (early adoption possible)

◆ Jun. 30, 2015 Japan Revitalization Strategy (Revised in 2015)

4) Further promotion of an increase in the number of companies voluntarily adopting IFRS

Listed companies disclose their progress in considering the adoption of IFRS in “Basic Policy Regarding Selection of Accounting Standards” of the financial results. The government will **analyze** this **together with Tokyo Stock Exchange** and **disseminate the state of IFRS adoption** to contribute to efforts among listed companies to consider transitioning to IFRS.

II. Scope of Analysis

◆ Coverage : 3,537 companies

- ✓ Basic Policy Regarding Selection of Accounting Standards (hereinafter "Basic Policy") of financial results that have been described by TSE-listed companies
 - FY ended April 2016 ~ FY ended December 2016 : 928 companies
 - FY ended January 2017 ~ FY ended February 2017 : 251 companies
 - FY ended March 2017 (include irregular accounting period)
: 2,358 companies

III. Content of Analysis of IFRS Adoption

- 1. Categories of Companies in Analysis (P.5)**
- 2. Shift in Number of Companies That Have Adopted IFRS (P.6)**
- 3. Present situation of companies that voluntarily adopt IFRS «All TSE-listed companies» (P.7)**
- 4. Present situation of companies that voluntarily adopt IFRS «JPX-Nikkei 400» (P.8)**
- 5. IFRS Adoption by Industrial Sector (P.9~13)**
- 6. IFRS Adoption Date (P.14)**
- 7. Stage of Progress Among "④ Companies Considering IFRS Adoption" (P.15)**

III – 1. Categories of Companies in Analysis

Categories of companies included in analysis (3,537 companies)

① Companies that have adopted IFRS (125 companies)

Companies that submitted IFRS-based consolidated financial statements or quarterly consolidated financial statements by Jun. 30, 2017

② Companies that have decided to adopt IFRS (27 companies)

Companies whose executive body has disclosed, by Jun. 30, 2017, its decision to adopt IFRS

③ Companies planning to adopt IFRS (19 companies)

Companies whose executive body has described plans to adopt IFRS in its Basic Policy, but yet to decide on IFRS adoption

④ Companies considering IFRS adoption (214 companies)

Companies that described that it is considering IFRS adoption in its Basic Policy

⑤ Other companies (3,152 companies)

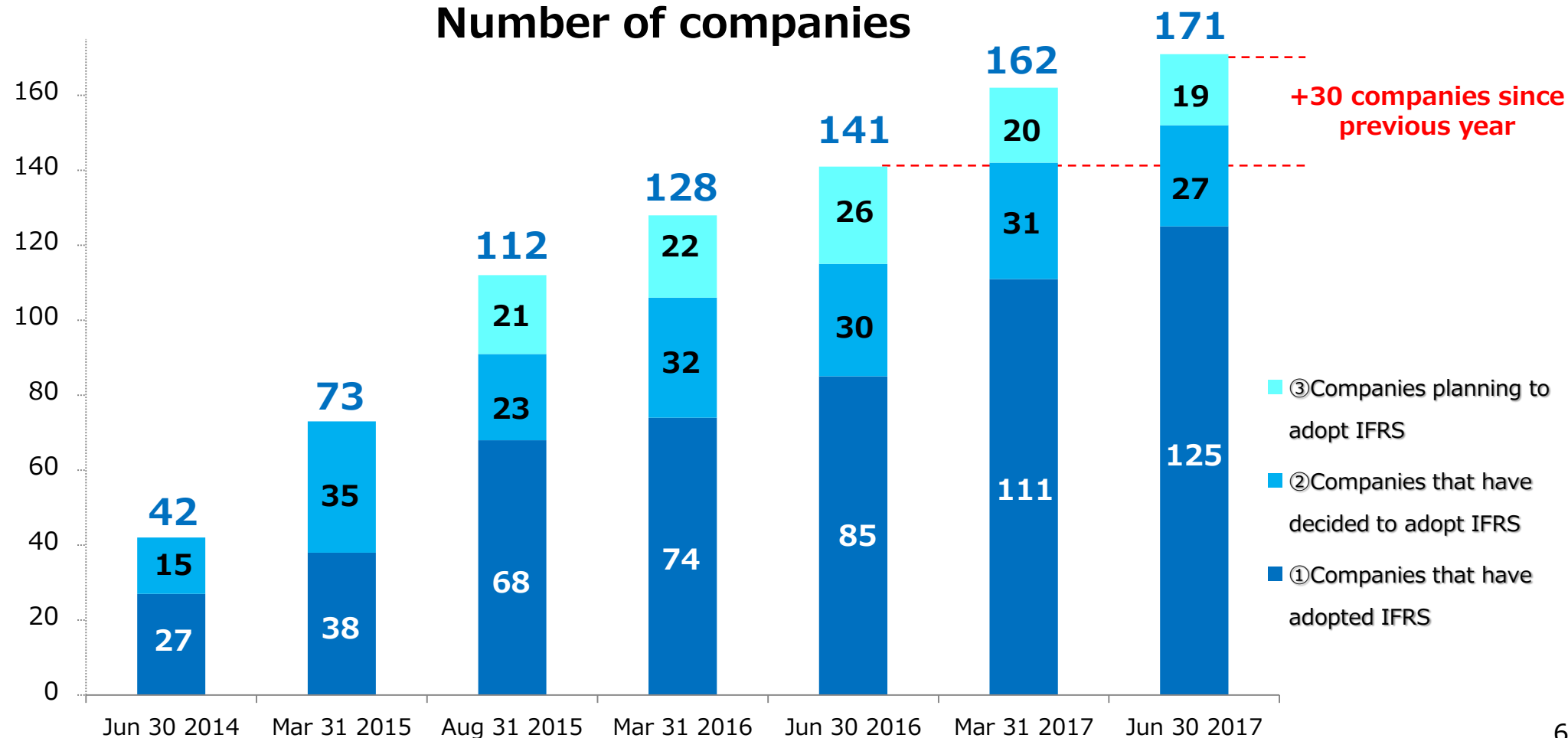
For example, the following companies:

- Company that mentioned only the possibility of future adoption of IFRS
- Companies that mentioned only its current accounting standards

Ⅲ – 2. Shift in Number of Companies That Have Adopted IFRS

✓ The combined number of “① Companies that have adopted IFRS”, “② Companies that have decided to adopt IFRS”, and “③ Companies planning to adopt IFRS” is 171 companies as of Jun. 30, 2017.

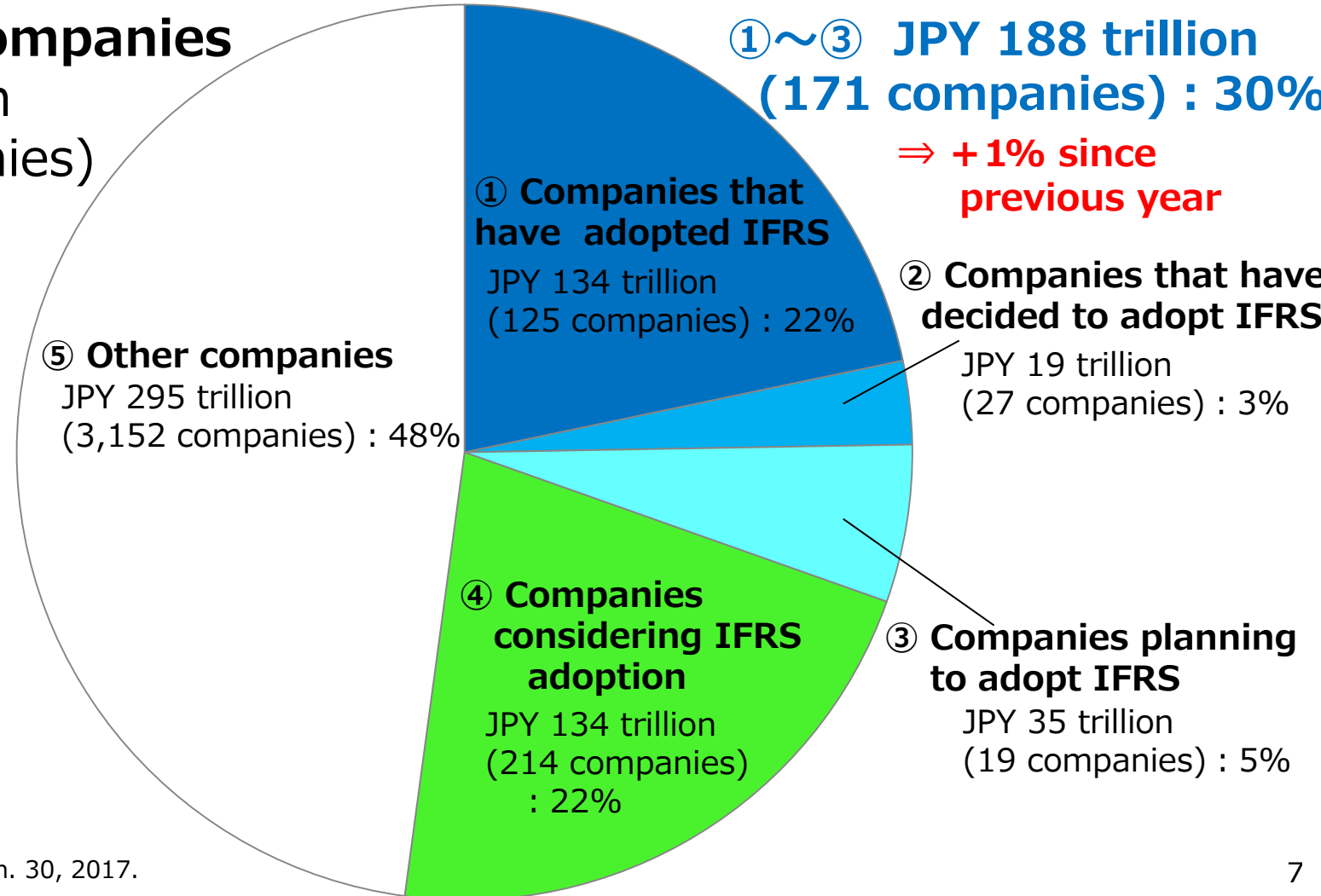
Number of companies



III – 3. Present situation of companies that voluntarily adopt IFRS «All TSE-listed companies»

✓ The combined market capitalization of “① Companies that have adopted IFRS” and “② Companies that have decided to adopt IFRS” and “③ Companies planning to adopt IFRS” is JPY 188 trillion, 30% of the entire listed market capitalization (JPY 617 trillion).

All TSE-listed companies
 JPY 617 trillion
 (3,537 companies)

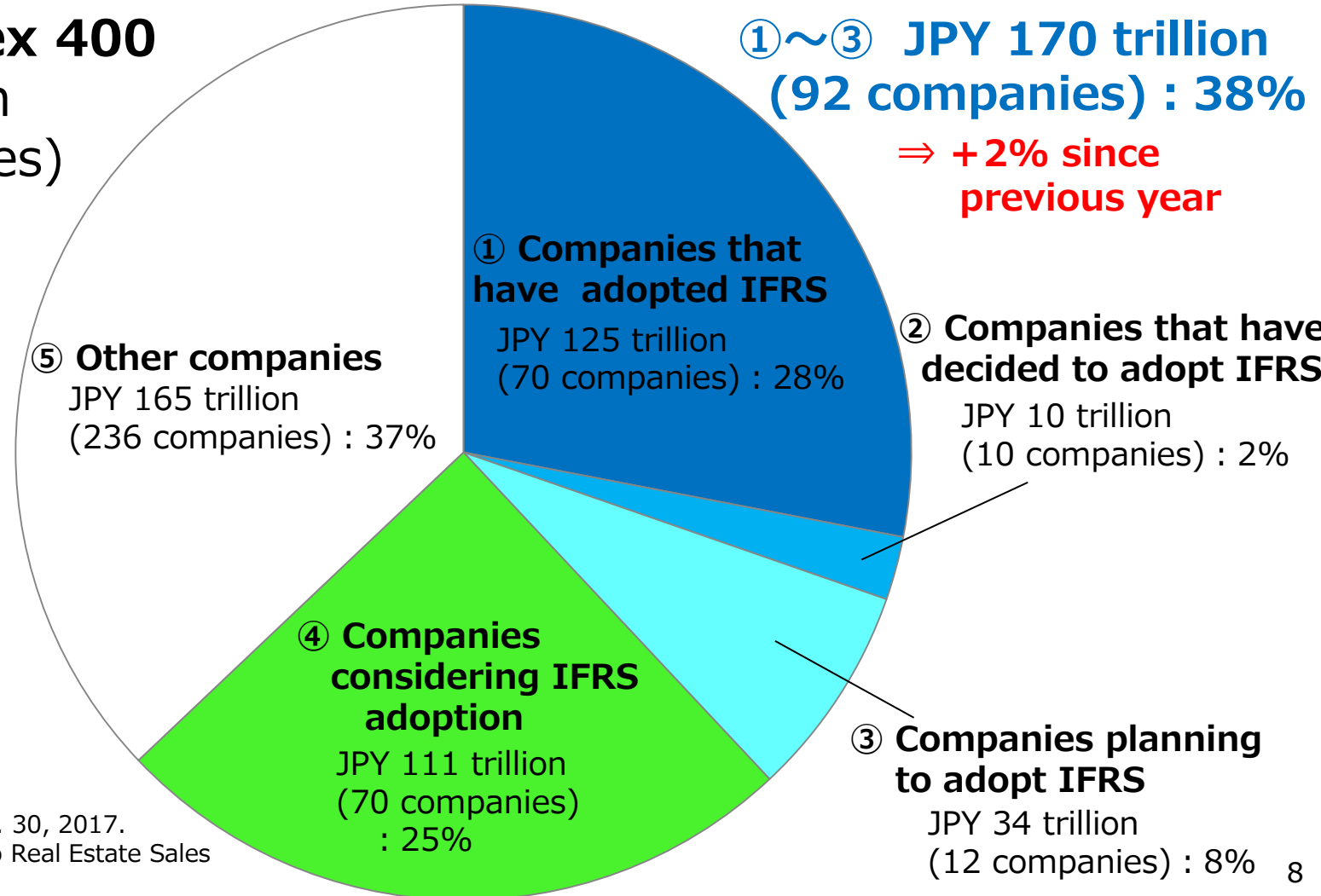


Note: Market capitalization as of Jun. 30, 2017.

III – 4. Present situation of companies that voluntarily adopt IFRS «JPX-Nikkei 400»

✓ The combined market capitalization of “① Companies that have adopted IFRS” and “② Companies that have decided to adopt IFRS” and “③ Companies planning to adopt IFRS” is JPY 170 trillion, 38% of the market capitalization of JPX-Nikkei 400 (JPY 446 trillion).

JPX-Nikkei Index 400
 JPY 446 trillion
 (398 companies)



Note: Market capitalization as of Jun. 30, 2017.
 Calsonic Kansei and Sumitomo Real Estate Sales are excluded.

III – 5. IFRS Adoption by Industrial Sector

- ✓ By industrial sector, "① Companies that have adopted IFRS", "② Companies that have decided to adopt IFRS", and "③ Companies planning to adopt IFRS" are found in 24 of the 33 industrial sectors.
⇒ **+ 1 industrial sector since previous year**
- ✓ Industrial sectors that have a significant number of "① Companies that have adopted IFRS" and "② Companies that have decided to adopt IFRS" and "③ Companies planning to adopt IFRS" are: Electric Appliances (24), Services (18), Information & Communication (17), Pharmaceutical (16), and Transportation Equipment (15).

Note: (1) Market capitalization as of Jun 30, 2017.

(2) Numbers to the left of company names indicate the order of their market capitalization within the industrial sector.

	Rubber Products (4/19)	Pharmaceutical (16/66)	Information & Communication (17/397)	Precision Instruments (6/51)	Oil & Coal Products (1/12)
①Adopted ②Decided to adopt	(2) Sumitomo Rubber Industries (3) Yokohama Rubber (6) Sumitomo Riko	(1) Takeda Pharmaceutical (2) Astellas Pharma (3) Otsuka Holdings (4) CHUGAI PHARMACEUTICAL (6) DAIICHI SANKYO (7) Eisai (8) Mitsubishi Tanabe Pharma (9) ONO PHARMACEUTICAL (12) SANTEN PHARMACEUTICAL (13) Sumitomo Dainippon Pharma (20) SAWAI PHARMACEUTICAL (21) Sosei Group (31) GNI Group (40) Solasia Pharma	(2) SoftBank (3) KDDI (5) Yahoo Japan (8) NEXON (10) KONAMI (11) LINE (16) HIKARI TSUSHIN (19) ITOCHU Techno-Solutions (53) MACROMILL (55) ZIGEXN (108) Broadleaf (162) Infoteria (191) Scala (285) Hotto Link	(1) HOYA (2) TERUMO (3) OLYMPUS (4) NIKON (16) NIKKISO (22) Noritsu Koki	(1) JXTG Holdings
③Planning to adopt	(1) BRIDGESTONE	(10) Kyowa Hakko Kirin (27) Nichi-Iko Pharmaceutical	(1) NTT DOCOMO (4) NIPPON TELEGRAPH AND TELEPHONE (6) NTT DATA		
Market capitalization (A)	JPY 4.9 trillion	JPY 22.1 trillion	JPY 44.1 trillion	JPY 6.2 trillion	JPY 1.7 trillion
Total market cap of industrial sector (B)	JPY 5.7 trillion	JPY 29.1 trillion	JPY 62.1 trillion	JPY 9.3 trillion	JPY 2.9 trillion
(A/B)	86%	76%	71%	67%	57%

III – 5. IFRS Adoption by Industrial Sector

	Wholesale Trade (12/314)	Foods (6/124)	Iron and Steel (2/45)	Electric Appliances (24/255)	Services (18/400)
①Adopted ②Decided to adopt	(1) Mitsubishi (2) MITSUI (3) ITOCHU (4) SUMITOMO (5) Marubeni (6) TOYOTA TSUSHO (8) Hitachi High-Technologies (13) Sojitz (34) ITOCHU ENEX (41) KANEMATSU (48) KOMEDA Holdings	(1) JAPAN TOBACCO (3) Asahi Group Holdings (4) Suntory Beverage & Food (6) Ajinomoto (10) NH Foods	(3) Hitachi Metals	(6) Panasonic (7) Mitsubishi Electric (8) NIDEC (9) Hitachi (13) FUJITSU (15) SYSMEX (16) TOSHIBA (18) SEIKO EPSON (22) NEC (24) RICOH (25) BROTHER INDUSTRIES (32) KONICA MINOLTA (36) ADVANTEST (41) Hitachi Kokusai Electric (49) TOSHIBA TEC (52) ANRITSU (59) CLARION (78) SANYO DENKI (95) IDEC (101) SUMIDA (142) NIHON DEMPA KOGYO (159) TEAC (213) NISHISHIBA ELECTRIC	(1) Recruit Holdings (4) Rakuten (5) DENTSU (7) M3 (15) DeNA (16) Kakaku.com (25) TechnoPro Holdings (37) LIFULL (40) OUTSOURCING (45) COOKPAD (49) Link and Motivation (54) BELLSYSTEM24 HOLDINGS (83) SEPTENI HOLDINGS (102) Metaps (114) BayCurrent Consulting (198) Itmedia (222) MRT (242) Members
③Planning to adopt	(45) IDOM	(2) Kirin Holdings	(1) NIPPON STEEL & SUMITOMO METAL (※)	(14) Renesas Electronics	
Market capitalization (A)	JPY 15.0 trillion	JPY 13.1 trillion	JPY 3.1 trillion	JPY 24.8 trillion	JPY 9.3 trillion
Total market cap of industrial sector (B)	JPY 26.3 trillion	JPY 27.7trillion	JPY 6.8 trillion	JPY 75.4 trillion	JPY 29.6 trillion
(A/B)	57%	47%	45%	33%	31%

(※) IFRS or JMIS

III – 5. IFRS Adoption by Industrial Sector

	Chemicals (12/209)	Transportation Equipment (15/95)	Metal Products (3/85)	Glass & Ceramics Products (2/55)	Other Financing Business (3/33)
①Adopted ②Decided to adopt	(2) Kao (4) UNICHARM (6) NITTO DENKO (8) Mitsubishi Chemical Holdings (10) SUMITOMO CHEMICAL (16) Hitachi Chemical (23) TAIYO NIPPON SAN SO (25) JSR (42) Sumitomo Bakelite (62) KUREHA	(2) HONDA MOTOR (4) DENSO (7) TOYOTA INDUSTRIES (8) AISIN SEIKI (19) TS TECH (23) KYB (24) NIPPON SEIKI (27) F.C.C. (28) NISSIN KOGYO (29) KEIHIN (35) SHOWA (52) YUTAKA GIKEN (58) Yachiyo Industry	(1) LIXIL Group (21) H-ONE	(1) Asahi Glass (12) Nippon Sheet Glass	(2) Japan Exchange Group (8) Hitachi Capital (16) J Trust
③Planning to adopt	(9) NIPPON PAINT HOLDINGS (131) Daiichi Kasei	(13) Mazda Motor (22) EXEDY	(11) G-TEKT		
Market capitalization (A)	JPY 12.5 trillion	JPY 15.0 trillion	JPY 1.0 trillion	JPY 1.2 trillion	JPY 1.6 trillion
Total market cap of industrial sector (B)	JPY 41.3 trillion	JPY 54.4 trillion	JPY 4.7 trillion	JPY 5.7 trillion	JPY 8.5 trillion
(A/B)	30%	28%	22%	21%	18%

III – 5. IFRS Adoption by Industrial Sector

	Retail Trade (10/347)	Machinery (8/230)	Securities & Commodity Futures (2/41)	Real Estate (3/118)	Other Products (2/104)
①Adopted ②Decided to adopt	(2) FAST RETAILING (6) FamilyMart UNY Holdings (16) J.FRONT RETAILING (27) SKYLARK (47) COLOWIDE (55) PARCO (60) TORIDOLL Holdings (78) Sushiro Global Holdings (182) DREAM VISION	(7) NSK (10) Hitachi Construction Machinery (13) AMADA HOLDINGS (17) Nabtesco (25) MIURA (28) DMG MORI SEIKI (54) Hitachi Koki (55) TSUBAKI NAKASHIMA	(3) SBI Holdings (11) Monex Group	(5) Iida Group Holdings (32) TOSEI	(34) DUNLOP SPORTS
③Planning to adopt	(73) OSHO FOOD SERVICE			(11) NTT URBAN DEVELOPMENT	(5) YAMAHA
Market capitalization (A)	JPY 6.2 trillion	JPY 3.0 trillion	JPY 0.4 trillion	JPY 0.9 trillion	JPY 0.8 trillion
Total market cap of industrial sector (B)	JPY 36.6 trillion	JPY 30.1 trillion	JPY 5.8 trillion	JPY 14.4 trillion	JPY 12.8 trillion
(A/B)	17%	10%	7%	7%	6%

III – 5. IFRS Adoption by Industrial Sector

	Land Transportation (2/60)	Nonferrous Metals (1/36)	Construction (1/169)	Insurance (1/12)
①Adopted ②Decided to adopt	(20) Hitachi Transport System (40) ZERO	(13) Asahi Holdings		(9) NEWTON FINANCIAL CONSULTING
③Planning to adopt			(23) TOSHIBA PLANT SYSTEMS & SERVICES	
Market capitalization (A)	JPY 0.3 trillion	JPY 0.1 trillion	JPY 0.2 trillion	JPY 0.03 trillion
Total market cap of industrial sector (B)	JPY 22.7 trillion	JPY 4.9 trillion	JPY 18.4 trillion	JPY 13.7 trillion
(A/B)	1%	1%	1%	0.2%

9 industrial sectors with no company transitioning to IFRS and size of industrial sector
(unit: companies)

Air Transportation	Mining	Fishery, Agriculture & Forestry	Marine Transportation	Electric Power & Gas	Pulp & Paper	Warehousing & Harbor Transportation Services	Textiles & Apparels	Banks
5	7	11	14	24	24	37	52	86

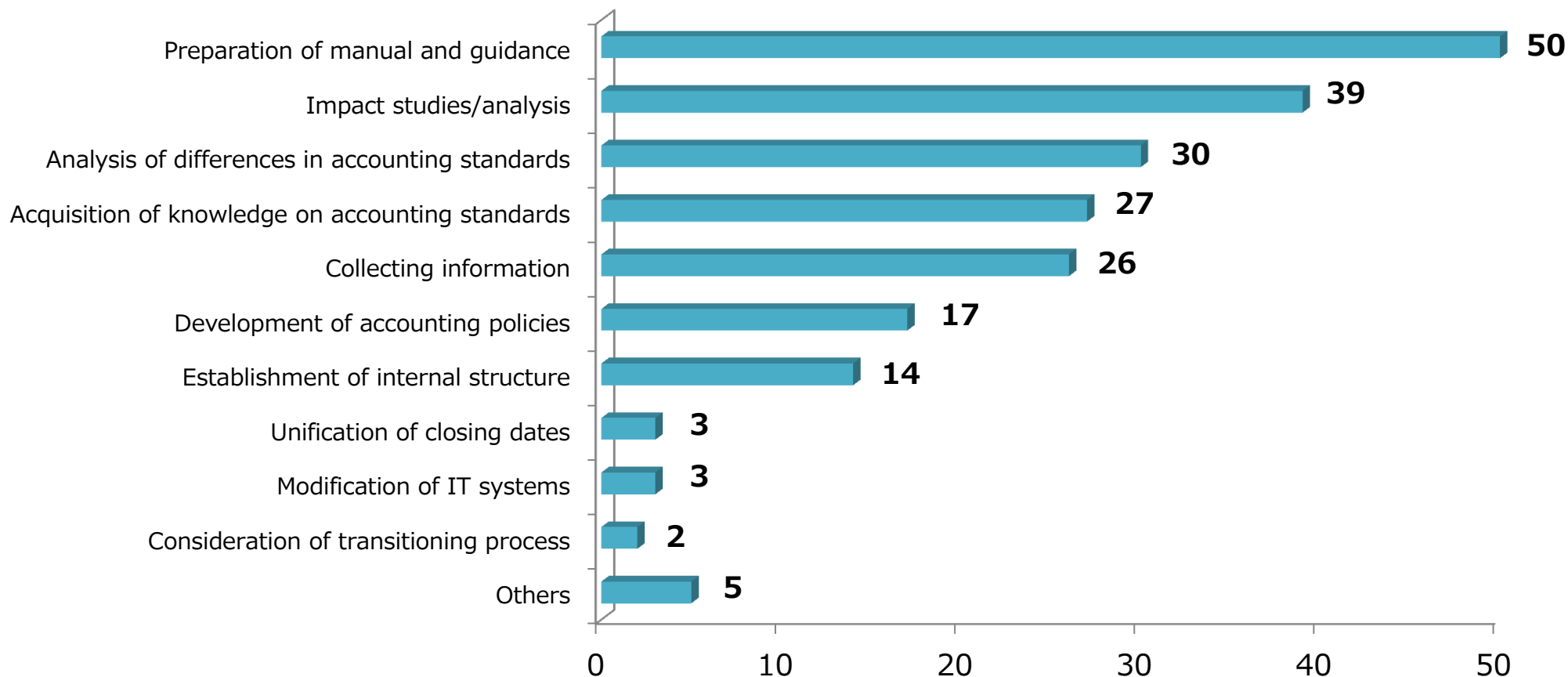
III – 6. IFRS Adoption Date

✓ The scheduled adoption dates (including targeted) that "③ Companies planning to adopt IFRS (19 companies)" have described in their Basic Policy are as follows.

Adoption/Scheduled adoption date (including quarters within the range)	Companies that have adopted IFRS	Companies that have decided to adopt IFRS	Companies planning to adopt IFRS	Total
~ March 2017	120	–	–	120
April 2017 ~ March 2018	5	20	7	32
April 2018 ~ March 2019	–	3	6	9
April 2019 ~ March 2020	–	1	1	2
TBD	–	3	5	8
Total	125	27	19	171

III – 7. Stage of Progress Among "④ Companies Considering IFRS Adoption"

✓ Of the 214 companies that were “considering IFRS adoption”, 146 companies described concrete matters in its Basic Policy. Many described “Preparation of manual and guidance”.



Note: Total exceeds 146 due to descriptions falling under multiple categories.